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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4391

May 8, 2003

R E S O L U T I O N

(RES. W-4391), ALISAL WATER CORPORATION (ALCO), NORMCO DIVISION (NORMCO) AND MOSS LANDING DIVISIONS (MLD). ORDER AUTHORIZING A ONE-TIME SURCHARGE TO RECOVER AN INCREASE IN WATER TESTING COSTS PRODUCING AN INCREASE IN ANNUAL REVENUE FOR NORMCO OF \$49,743 OR 25.8% AND FOR MLD OF \$21,382 OR 18.4%.

SUMMARY

By Advice Letter No. 90, filed December 11, 2002, ALCO seeks to add a surcharge of \$7.76 per month for eighteen months for NORMCO and \$9.43 per month for eighteen months for MLD to their Metered Service Schedule No. 1-ND and Schedule No. 1-ML. The increase requested is to recover water testing costs incurred during 2000 and 2001 over and above the amount allowed in ALCO's last general rate case. This resolution authorizes the increase requested in Schedules Nos. 1-ND and 1-ML. The increase will not result in a rate of return greater than last authorized for ALCO.

BACKGROUND

ALCO, a Class B utility, provides water service to, among other districts, 356 customers in its North Monterey County (NORMCO) District and 126 customers in its Moss Landing District (MLD) located in Monterey County. ALCO requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$49,743 and \$21,382 for NORMCO and MLD, respectively, via a surcharge over eighteen months for water testing costs including water sampling, testing, and treatments costs incurred in years 2000

and 2001. ALCO's present rates became effective on August 28, 2001, pursuant to Resolution (Res.) No. W-4292, which granted increases to offset increased purchased power costs. ALCO's last general rate cases were granted pursuant to Res. W-3798 dated March 13, 1996 for NORMCO, and Res. W-4046 dated June 25, 1997 for MLD.

DISCUSSION

Res. No. W-4013, dated December 20, 1996, renewed by Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution.

The surcharge requested herein would allow ALCO to recover WQMA balances for the years 2000 and 2001. The Water Division conducted an earnings test on an actual basis for recorded year 2001. ALCO reports a loss on its net income on a recorded basis for year 2001 and is not earning over its authorized rate of return. The Water Division recommends that ALCO be authorized to assess a surcharge of \$7.76 per customer per month for a period of eighteen months for NORMCO and \$9.43 per customer per month for eighteen months for MLD.

NOTICE AND PROTESTS

Notice of the proposed rate increase was mailed to each customer of NORMCO and MLD on December 10, 2002. The Water Division received no letters objecting to the increase.

FINDINGS

1. Res. No. W-4327 authorized all Class B, C, and D water utilities to establish WQMA for recording expenses resulting from drinking water regulations not presently included in rates.
2. Class B, C, and D water utilities were authorized to request recovery of the account balances by advice letter filings.

3. ALCO filed Advice Letter No. 90 to seek a surcharge to recover water testing costs incurred during 2000 and 2001.
4. The Commission finds, after investigation by the Water Division, that the change hereby authorized is justified, and the resulting rate is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Alisal Water Corporation is authorized, five days after the effective date herein, to make effective the revised rate Schedule No.1-ND, Metered Service for the NORMCO District and Schedule No. 1-ML, Metered Service for the Moss Landing District, attached to Advice Letter 90 and to cancel the presently effective rates.
2. Alisal Water Corporation is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 8, 2003, the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director